



## AMERICAN FAMILY INSURANCE GROUP

6000 AMERICAN PKWY • MADISON WI 53783-0001 • PHONE: (608) 249-2111

Good Morning:

My name is Chuck Fravel. I have been employed @ American Family Mutual Ins Co for the past 31 years; the last 12 as the manager of one of our two Customer Repair Program units operating in the state of Wi.

I feel it is important to provide you with a brief overview of how our Direct Repair Program works. Our program is offered as a service, it is not mandated. To utilize the program, our customers must sign a repair order and an authorization to repair their vehicle at their selected repair facility. With a signed authorization to repair, the repair facility prepares an estimate and electronically uploads it to our company for review. We confirm coverage, examine the photos and review the submitted estimate for accuracy. If necessary, we discuss the repair plan and estimate entries with the selected shop. Approval is given to proceed with repairs and on completion; the vehicle owner is given a written workmanship warranty that is good for as long as the original owner owns the vehicle. For your review, I have assembled a packet of informational brochures that a user of our program receives when they authorize that their vehicle be repaired through the Customer Repair Program.

In studying this proposed legislation and the written legislative analysis, we would not be able to inform our customers that this lifetime workmanship warranty exists.

We would not be allowed to correct obvious estimate entry errors, to adjust or to discuss any repair plan changes with the shop without physical inspection of the vehicle.

We would not be allowed the same competitive costs for posted menu prices that are available to a customer who walks in off the street. We would be required to pay higher than competitive prices for menu items such as 2 and 4 wheel alignments, tire mount and balance, AC evac and recharge, ECT. I do not see this as being in the consumer's best interest.

I struggle with the belief that Consumers in Wi are complaining about aggressive steering practices by auto insurance companies. Approximately 28,000 repair estimates were processed at AMFAM Mutual Ins through the Customer Repair Program during the calendar year of 2009. 13,500 of these were processed through the unit under my supervision. If customers in Wi were complaining, I would be hearing it. However, I am not hearing such. We are in the business of

serving our customers. What would be the benefit in providing a one stop shopping program to our customers if they didn't want it?

I also struggle with the position that some insurance companies are flatly refusing to cover repair costs not done at shops approved by them. During calendar year 2009, approximately 33,000 vehicle repair estimates were paid by AMFAM Mutual Insurance Co to customers and repair shops who did not participate in our Customer Repair Program. Again, we are not seeing nor are we receiving OCI dept complaints for not paying for required accident related repairs.

American Family Mutual Ins Co is a large provider of auto insurance in Wi. However, we are not the only provider. Being a large provider of auto insurance, one would think that we would receive a considerable number of Consumer Affairs and Wi OCI dept complaints if such a practice existed. However, again, we are not seeing them. In fact, I was not presented with a single consumer driven complaint regarding steering or refusing to cover required accident related costs during 2009.

In closing, it is my understanding that Wi is noted as a state where auto insurance is viewed as being very affordable. I question if this trend will continue if this proposed legislation was enacted.

Thank you. I would be happy to answer any questions that this committee should have.

Wednesday, Nov 26, 2003

## J.D. Power Finds Satisfaction Higher When Consumers Select Body Shop

Consumers who use an auto insurance provider that requires a vehicle to be taken to one of its "preferred provider" body shops for collision repairs or body work are less satisfied overall than those who are able to choose their own repair shop, according to the J.D. Power and Associates 2003 Collision Repair Satisfaction Index Study.

The study, which measures customer satisfaction with insurance carriers when claims are filed, finds that consumers whose insurance provider stipulated which body shop they had to use expressed the greatest dissatisfaction. Consumers whose insurance provider gave them a choice of two or more body shops to select from were slightly more satisfied, but remained less satisfied than those who selected their own body shop.

"Insurance companies have developed these programs to help get the best repairs at the best price, while at the same time making the collision repair process convenient for their customers," said Jeremy Bowler, director of the finance and insurance practice at J.D. Power and Associates. "This seems like a win-win situation; however, in reality, consumers want to have some control over where they take their vehicle for repairs. Preferred provider programs have taken away some of that freedom from consumers."

Among the insurance providers included in the study, State Farm ranks highest in collision repair satisfaction, performing particularly well in the areas of claims representatives and the quality of work performed at the body shop. The Hartford, Erie, MetLife, Nationwide and GEICO follow State Farm in the rankings, respectively. **USAA, an insurance provider open only to the U.S. military community and their families and therefore not included in the rankings, achieves a satisfaction score higher than State Farm.**

Both State Farm and USAA achieved high rankings in the CollisionWeek study released today of shops attitudes concerning insurance companies claims handling efficiency and fairness. State Farm was ranked at the top in the CollisionWeek study with USAA ranked second.

Among consumers who have had collision repair or body work done to their vehicle in the past year, those who took their vehicle to an independent garage for repairs were the most satisfied. Nearly 30 percent of customers have their collision repair work done at a new-vehicle dealership, yet these customers were the least satisfied.

"At independent garages, consumers often get personal attention that is more satisfying than what they receive at a dealership body shop," Bowler said. "At an



WISCONSIN STATE REPRESENTATIVE

# Jennifer Shilling

95TH ASSEMBLY DISTRICT

## Testimony in support of SB 118 - Consumer Choice in Auto Repairs

Senate Committee on Judiciary, Corrections, Insurance,  
Campaign Finance Reform, and Housing

March 23, 2010

Good morning Chairperson Taylor and members of the Committee. Thank you for holding a public hearing on this bill.

Imagine you are stopped at a red light and are suddenly rear ended. You and the other driver get out, inspect the damage and exchange insurance information.

Your insurance company recommends Jim's auto body shop, but you prefer Tom's body shop because he's known for excellent service at a low cost.

Or perhaps, you would prefer to go to any shop *besides* Jim's shop, because you know they have a reputation for poor quality work.

Should you be required to take your business to Jim's shop?

Under current law, if your windshield was damaged, you can go to the shop you choose, but if it was your bumper that needs replacement, depending on your insurer, you may be forced to take your business to Jim's body shop.

This process, called "steering," occurs regularly in the auto insurance industry, and unfortunately, automobile owners and policy holders are rarely informed of pre-existing relationships that exist between insurance companies and certain repair shops.

This bill would prohibit auto insurance companies from steering their policyholders to specific repair shops, and would allow for consumer choice in auto repairs.

Unlike other states that have passed anti-steering legislation, this bill **would not** prohibit insurance companies from establishing direct repair program agreements



with auto repair shops, and it would not prohibit insurance companies from recommending repair shops to policyholders upon request.

This bill is about allowing consumer choice and providing fairness to auto insurance policyholders - fairness to ensure that consumers have a choice in deciding their auto repair shop, and fairness to our local auto body shop owners to gain business by reputation and quality of service, not solely based on referral agreements with large insurance companies.

Michigan, Minnesota, and Illinois have all implemented consumer protection legislation to address this issue, and anti-steering legislation in many other states has been introduced and signed into law in recent years.

It's time that Wisconsin joins our neighboring states and passes anti-steering legislation to encourage market competition in the auto repair industry and allow consumers to make their own decisions about where to have their vehicle repaired.

Again, I would like to state that this bill **does not** prohibit insurers from forming positive working relationships - or DRPs - with repair shops; it merely ensures that the reasonable and necessary cost of auto repairs will be covered at the location that the policy holder, not the insurance company, has chosen.

Under this bill, my insurer would be required to inform me that I may choose any repair shop to fix my damaged vehicle, and that they will pay the reasonable and necessary costs of my repair regardless of which repair shop I choose.

They would ask if I have selected a repair shop. If I say "no," or request a recommendation, they can recommend a shop to me. If I say "yes, I have a shop," then they can no longer attempt to influence my decision.

I have been a leading Assembly author of this legislation for the past 2 sessions, and I have been fortunate to have the support of a bi-partisan group of legislators from both houses. It's time that Wisconsin joins the other states that have passed anti-steering legislation to protect consumers.

Thank you, and I appreciate the committee's consideration of this bill.

March 23, 2010

The Honorable Lena Taylor  
Chair – Senate Judiciary, Corrections, Insurance,  
Campaign Finance Reform and Housing Committee  
Room 415 South  
P.O. Box 7882  
State Capitol  
Madison, Wisconsin 53707-7882

Re: Letter in Opposition to Senate Bill 118  
Committee Hearing – March 23, 2010

Dear Senator Taylor:

Founded in 1895, the National Association of Mutual Insurance Companies (NAMIC) is a full service national trade association with more than 1,400 member companies that underwrite over 40% of the property/casualty insurance premium in the United States. In Wisconsin, we have 184 member companies, including 117 domiciled companies, which underwrite 61% of the state's automobile insurance business.

NAMIC writes to express its opposition to Senate Bill 118.

SB 118, which purports to protect Wisconsin insureds in their dealings with insurers and auto repair businesses, actually accomplishes the opposite. While there are many things that could be discussed, NAMIC will focus on two aspects of the bill.

First, the oral disclosure language required by section 632.37(1)(b)(2) on page 4 will cause confusion as many consumers will mistake the mandatory statement "the insurer will pay all reasonable and necessary costs of the repair regardless of which garage" was chosen to be an implicit promise that whatever is charged is reasonable and necessary. Insureds who mistakenly select a garage that gouges and performs unnecessary services will end up being hurt.

Second, the limitation in section 632.37(1)(e) on page 4 as to what information can be provided to the consumer is too restrictive as it appears to forbid an insurer from telling the insured that it, the insurer, and the garage have agreed that in a case of a dispute over what is necessary or reasonable, the matter will be strictly between the insurer and the garage and that the consumer will not be exposed to additional charges. This is the sort of information an insured most values.

The ultimate result of SB 118 will be to increase the cost of repairs. This is never good for the insured and, in the long run, hurts garages, as increased costs means fewer automobiles are repaired and more are declared total losses.

SB 118 will lead to unintended, negative consequences for consumers. NAMIC urges that the committee not advance the bill.

The Honorable Lena Taylor  
March 23, 2010  
Page Two

If you have any questions or comments, please do not hesitate to contact me. In the meantime, I remain,

Sincerely,

A handwritten signature in black ink, appearing to read "Mark Johnston", with a stylized flourish at the end.

Mark Johnston  
State Affairs Manager - Midwest

# Direct Repair Option Issue Brief

WIA

## **The Direct Repair Option Improves a Bad Situation**

— Auto accidents can be a stressful and unfamiliar situation for people. Most consumers want their agent to be able to guide them through the red tape to a quick, high quality repair. Direct Repair Programs were developed to improve customer satisfaction, simplify and speed repairs and allow the insurer to keep costs down and help eliminate fraud.

## **Direct Repair Options Increase Consumer Satisfaction**

— According to a 2006 study by J.D. Power and Associates, “Consumers who took their vehicle to a direct repair provider—a body shop recommended by their insurance provider—were more satisfied than those who used a body shop without a referral or recommendation.”



**Wisconsin has the Right Balance** — Currently in Wisconsin, insurers are allowed to develop relationships with auto body shops and recommend a list of providers to consumers. Recommending shops and streamlining claims through those shops increases customer satisfaction according to a J.D Power and Associates study. Wisconsin prohibits redirecting customers to one particular repair shop. According to the Study, “...among consumers who used a direct repair body shop, those who felt strongly encouraged to go with the insurer's recommendation were significantly less satisfied.” This is balance that consumers want.

**Direct Repair Options Streamline Paperwork** — Many direct repair relationships allow customers to reduce the claims process that can include an adjuster, trips to multiple shops and difficult, time-consuming negotiations. Choosing the Direct Repair Option allows a customer to select a shop, receive an estimate and schedule repairs with one stop.

**Direct Repair Options Assure Quality** — Satisfaction among customers who have made a collision claim is closely tied to the repair experience. Insurers use their relationship with body shops to ensure customer satisfaction.

**Direct Repair Options Keep Wisconsin Rates Low** — Wisconsin has the third lowest auto insurance rates in the nation as a percentage of personal income. Offering the Direct Repair Option is a big part of maintaining low costs for Wisconsin consumers. Body shops value the increased business that can result from being a preferred provider for insurance companies. This value allows insurance companies to negotiate lower costs for customers, reduced paperwork, improved service guarantees and quicker repairs. All of these factors improve customer satisfaction. That is why all of the insurers with the highest customer satisfaction offer the direct repair option.

**Banning the Direct Repair Option Hurts Consumers** — Legislation that bans the Direct Repair Option outlaws insurance agents providing the advice and assistance that consumers want when they need it most. Most consumers expect their agent to guide them through an unfamiliar process. Banning this option prevents insurers from providing the services customers believe they are paying for.





**Wisconsin Insurance Alliance**

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Nationwide Indemnity  
SFM  
State Farm Insurance  
Travelers  
Western National Mutual Ins Co

To: Committee on Judiciary, Corrections, Insurance, Campaign Finance Reform,  
and Housing

From: Andrew Franken

Date: March 23, 2010

Re: Opposition to SB-118

On behalf of the Wisconsin Insurance Alliance, I ask you to oppose Senate Bill 118.

Wisconsin residents spend more than \$2 billion dollars on auto insurance annually. Auto insurers return a significant portion of those dollars back into the local economy when they facilitate the repair of a customer's vehicle.

Auto insurers utilize direct repair programs (DRPs) because they help achieve timely, cost-effective and quality repairs for consumers. Among the 200 insurance companies authorized to sell auto insurance in Wisconsin, there are a variety of direct repair programs that companies may use to benefit their customers. It is also important to recognize that not all companies may use a direct repair program. While every company's direct repair program is different, the purpose of having them is the same:

- To provide timely repair of damaged vehicles
- To provide quality control and repair of damaged vehicles
- To provide cost-effective repairs of damaged vehicles.

Many of these direct repair programs pre-certify certain repair shops. Consumer surveys of those participating in direct repair programs consistently show a high degree of customer satisfaction. SB-118 creates an artificial barrier to the use of these repair programs. This proposal is classic "fence me in" legislation for a special interest group that does not want competition in the marketplace. While the advocates of this legislation say that it is all about providing "consumer choice," the actual language contained in the bill mandates new, burdensome requirements for auto insurers that will lead to discouraging insurers from using direct repair programs.

I ask that you please OPPOSE SB-118 in order to continue to allow your constituents to make an informed choice under existing state law.

Thank you for your consideration.

Sentry Insurance  
1800 North Point Drive  
Stevens Point, WI 54481  
(608) 255-7115 Madison office  
(608) 255-2178 fax

Misha Lee  
Director of Government Relations  
misha.lee@sentry.com



TO: Members of the Senate Judiciary, Corrections, Insurance, Campaign Finance Reform and Housing Committee

FROM: Misha Lee  
Director of Government Relations

DATE: March 23, 2010

RE: **Senate Bill 118** - Automobile Direct Repair Programs

On behalf of Sentry Insurance, I write in **opposition** to Senate Bill 118. We believe this legislation would have negative consequences for Wisconsin consumers and Sentry Insurance.

The Office of the Commissioner of Insurance (OCI) already interprets existing regulations under *Ins. 6.11 (3) Insurance claim settlement practices* of the Wisconsin Administrative Code to prohibit an insurer from conditioning insurance coverage on the use of a specified repair facility. Sentry Insurance always honors a claimant's choice of a repair facility. Contrary to what the proposed legislation implies, we do not force any first or third party claimants to use our preferred repair program (PRP).

Sentry Insurance offers the option of using our preferred repair program because it directly benefits our customers. In the normal course of handling an automobile claim, Sentry seeks to use professional repair facilities that provide a high quality repair for consumers at a reasonable price and in a timely manner. These repair facilities have a proven track record with us for timely, reliable and professional service. If the customer chooses to use our preferred repair program, we also offer the benefit of "guaranteeing the repairs" on the vehicle for as long as they own it. Therefore, not only do consumers see the benefit of reduced costs, they also have a better guarantee of workmanship.

SB 118 would interfere with a viable private market that provides consumers with information and options.

We respectfully request that you **oppose** SB 118 and maintain current law that already protects consumer choice and allows for a healthy, competitive marketplace for both insurers and auto repair businesses throughout Wisconsin.

Thank you for your thoughtful consideration.

# State Farm Insurance Companies



May 17, 2007

State Farm Insurance  
PO Box 82613  
Lincoln, NE 68501-2613  
Local: (402) 327-5575  
Toll Free: (888) 248-6961  
Fax: (888) 577-4670


Dolly Pertzsch  
903 Central Ave.  
Coon Valley, WI 54623

RE: Claim Number: 49-3581-448  
Date of Loss: May 13, 2007

Dear Dolly:

Attached is our estimate and payment for the damages to your vehicle. You have the right to select any repair facility to perform the repairs. Please present the estimate to the shop you select.

If you have not selected a facility, we can assist you by identifying Service First or Select Service repairers who have agreements with State Farm to provide quality repairs at competitive prices.

 You are free to select repairers who do not have Service First or Select Service agreements with State Farm. These repairers may perform quality repairs on your vehicle, but may charge prices other than the prevailing competitive prices determined in your market area. We will work with these repairers as best we can. However, circumstances could arise in which we may not be able to assist you as effectively as we could with Service First or Select Service repairers.

Our payment for estimated damage to your vehicle is based upon a damage appraisal provided by State Farm. This appraisal is prepared by using the prevailing competitive prices charged in your market area. Any additional payment will be based upon supplemental amounts agreed to by State Farm. We will review and consider any supplemental amounts requested by the repairer you select, but may not necessarily agree that State Farm owes such amounts.

Page 2  
May 17, 2007

Please review the damage appraisal prepared by State Farm with the repairer of your choice. If you have any questions, please contact us.

Sincerely,

A handwritten signature in cursive script that reads "James Watson". To the right of the name is a circular stamp containing the letters "JW".

James Watson  
Claim Representative  
Ext: 3262

State Farm Mutual Automobile Insurance Company